VIRGINIA:

FILE COPY

VIRGINIA GAS

DOCKET NO.

AND OIL BOARD

VGOB 93-0119-0315

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: EQUITABLE RESOURCES EXPLORATION
A Division of Equitable Resources

Energy Company

RELIEF SOUGHT:

(1) ESTABLISHMENT OF THE DRILLING UNIT DESCRIBED IN EXHIBIT "A" HERETO AND SERVED BY WELL NO. V-1831 (herein "Subject Drilling Unit") PURSUANT TO \$ 45.1-361.20, CODE OF VIRGINIA, AND (2) POOLING OF INTERESTS IN SUBJECT DRILLING UNIT PURSUANT TO \$ 45.1-361.21, CODE OF VIRGINIA, FOR THE PRODUCTION OF CONVENTIONAL OIL AND/OR GAS FROM SUBJECT FORMATIONS (herein referred to as "Oil and/or Gas")

LEGAL DESCRIPTION:

DRILLING UNIT SERVED BY WELL NUMBERED V-1831 TO BE DRILLED IN THE LOCATION DEPICTED ON EXHIBIT A HERETO, COLUMBUS KILGORE HEIRS OIL AND GAS TRACTS CLINTWOOD QUADRANGLE, ERVINTON MAGISTERIAL DISTRICT, DICKENSON COUNTY, VIRGINIA (the "Subject Lands" are more particularly described on Exhibit "A", attached hereto and made a part hereof)

REPORT OF THE BOARD

FINDINGS AND ORDER

- 1. <u>Hearing Date and Place</u>: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on January 19, 1993, Dickenson Conference Room, Southwest Virginia Education 4-H Center, Abingdon, Virginia.
- 2. <u>Appearances</u>: Richard A. Counts appeared for the Applicant; Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
- 3. <u>Jurisdiction and Notice</u>: Pursuant to § 45.1-361.1 <u>et seq</u>., Virginia Code, 1950 as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas or oil owner, coal owner, or mineral owner having an interest in Subject Drilling Unit underlying and comprised of Subject Lands; (2) has given notice to all parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by § 45.1-361.19, Virginia Code, 1950 as amended, to notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by applicant as owners of gas or oil, coal or mineral interests underlying Subject Drilling Unit,

including those who have not heretofore leased or voluntarily agreed to lease their interests. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B, Virginia Code, 1950 as amended. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

- 4. Amendments: Exibit B to reflect additional leased interests; Detailed Well Estimate (DWE) to reflect signature.
 - 5. <u>Dismissals</u>: None.
- 6. Relief Requested: Applicant requests (1) that pursuant to § 45.1-361.20, Code of Virginia, 1950, as amended, the Board establish Subject Drilling Unit to be served by Well No. V-1831; (2) that pursuant to § 45.1-361.21, Code 2 of Virginia, 1950 as amended, the Board pool the rights, interests and estates of the known and unknown persons listed in Exhibit B hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Oil and/or Gas produced from the Subject Drilling Unit established for all non-coalbed formations from the surface to the total depth drilled of 4,370 feet, and all areas between, including, but not limited to the Devonian Shale, Berea, Weir, Big Lime, Maxon and Ravencliff formations (herein "Subject Formations") underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"); and, (3) that the Board designate Applicant as Unit Operator.
- 7. Relief Granted: The requested relief in this cause be and hereby is granted and: (1) Pursuant to \$ 45.1-361.20, Code of Virginia, 1950 as amended, the Board hereby establishes Subject Drilling Unit; (2) pursuant to \$ 45.1-361.21.C.3, Code of Virginia, 1950 as amended, Equitable Resources Exploration. (hereafter "Unit Operator") is designated as the Operator authorized to drill and operate the well in the Subject Drilling Unit to produce Oil and/or Gas from Subject Formations, subject to the permit provisions contained in \$ 45.1-361.27 et seq., Code of Virginia, 1950 as amended, to \$ 480-05-22.1 et seq., Gas and Oil Regulations and to \$ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time; and (3) the Gas interests and estates in Subject Drilling Unit of the known and unknown persons listed on Exhibit B, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, leased or unleased, be and hereby are pooled in the Subject Formations in the Subject Drilling Unit underlying and comprised of the Subject Lands.

Subject Formations	Unit Size	Permitted Well Location	Field and Well Classification
Commencing at the surface to the total depth drilled of 4,370 feet, and all areas in between including, not limited to the Devonian Shale, Berea, Weir, Maxon, Big Lime, ar Rayencliff formatic	nd	V-1831 (See Exhibit A for location)	No applicable field rules; gas and oil well under Statewide Spacing §45.1-361.17 Code of Virginia, as amended

For the Subject Drilling Unit underlying and comprised of the Subject Land Served by Well No. V-1831

Dickenson County, Virginia.

8. Election and Election Period: Any gas or oil owner named in Exhibit B who has not heretofore leased to the Operator and/or voluntarily agreed to pool their interests in Subject Drilling Unit in the gas or oil in the Subject Drilling Unit may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 herein to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. <u>Election Options</u>:

9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any gas or oil owner named in Exhibit B who has not leased to the Operator and/or voluntarily agreed to pool their interest may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit, as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Estimated, Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Completed-for-Production Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs:

\$ 221,150.00

A Participating Operator's proportionate cost hereunder shall be that portion of said costs which the net mineral acres in the Subject Drilling Unit owned or claimed by such Participating Operator bears to the total number of mineral acres in Subject Drilling Unit. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Estimated, Completed-for-Production Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any gas or oil owner in Subject Drilling Unit who has not leased to the Operator and/or voluntarily agreed to pool their interests may elect to accept a cash bonus consideration of \$5.00 per net mineral acre owned by such person,

commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Gas or Oil produced from any well development covered by this Order [for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the wellhead, including, but not limited to, all gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said gas or oil owner. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for all right, title, interest, estates, and claims of such electing gas or oil owner to the gas or oil produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

The election made under this Paragraph 9.2, when so made, shall be satisfaction in full for all right, title, interests, estates and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign all its right, title, interests, estates, and claims to the gas and oil produced from Subject Formation in the Subject Drilling Unit to the Unit Operator.

Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any gas or oil owner who has not leased to the Operator and/or voluntarily agreed to pool their interests in Subject Drilling Unit may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator"] so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. All of such Carried Well Operator's rights, title, interests, estates and claims in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert Carried Well Operator, and from and after such back to such reversion, such Carried Well Operator shall be treated as if it had

participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

The election made under this Paragraph 9.3, when so made, shall be satisfaction in full for all rights, title, interests, estates and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign all its rights, title, interest, estates and claims in the gas and oil produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

- 10. Failure to Properly Elect: In the event a person fails to elect within the time, in the manner and in accordance with the terms of this Order or the alternatives set forth in Paragraph 9 above, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to a final legal determination of ownership, to have elected to accept as satisfaction in full for all such person's right, title, interests, estates and claims the consideration provided in Paragraph 9.2 above for which its interest qualifies and shall be deemed to have leased and/or assigned all his right, title, interests, estates and claims to gas and oil in the Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for all right, title, interests, estates and claims of such person to the gas and oil in the Subject Lands underlying Subject Drilling Unit.
- Default By Participating Person: In the event a person elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Estimated Completed-for-Production costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, title, interest, estates and claims the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for all right, title, interests, estates and claims of such person to gas and oil underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any 1/8th royalties which would become due pursuant to Paragraph 9.2 hereof.
- 12. Assignment of Interest: In the event a person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the well in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto Unit Operator all of such person's right, title, interests, estates and claims in and to said well, in Subject Formations in Subject Drilling Unit, and other share in gas and oil production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said elections.
- 13. <u>Unit Operator (or Operator)</u>: Equitable Resources Exploration be and hereby is designated as Unit Operator authorized to drill and operate Well No. V-1831 in Subject Formations in Subject Drilling Unit, all subject to the permit

provisions contained in Section 45.1-361.27 et seq., Code of Virginia, 1950 as amended, \$\$ 480-05-22.1 et seq., Gas and Oil Regulations and \$\$ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

Hunter, Smith & Davis
Law Center
1212 North Eastman Road
Kingsport, TN 37664
Phone: (615) 378-8800
Fax: (615) 378-8801
Attn: Douglas S. Tweed

- 14. <u>Commencement of Operations</u>: Unit Operator shall commence or cause to commence operations for the drilling of any well covered hereby within three hundred and sixty-five (365) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which any well covered by this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the Petition for Appeal and the final Order of the Circuit Court shall be excluded in calculating the one year period referenced herein.
- 15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the mineral estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are a charge against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. <u>Escrow Provisions</u>:

16.1 <u>Escrow Account</u>: By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account, (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank P. O. Box 909 Tazewell, VA 24651 (herein "Escrow Agent")

16.2. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and shall, pursuant to Section 45.1-361.21.D, Code of Virginia, 1950 as amended, and said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as

required by law or pursuant to Order of the Board in accordance with § 45.1-361.21.D., Code of Virginia, 1950 as amended.

- 17. Special Findings: The Board specifically and specially finds:
- 17.1 Applicant is a division of Equitable Resources Energy Company, a corporation duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2 Applicant claims ownership of gas leases on 86.684282 percent of Subject Drilling Unit and the right to explore for, develop and produce gas and oil from same.
- 17.3 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.4 Applicant has proposed the drilling of Well No. V-1831 on the Subject Drilling Unit to develop the pool of gas and oil in Subject Formations.
- 17.5 Set forth in Exhibit B is the name and last known address of each person of record identified by the Applicant as gas or oil, coal or mineral owners who may have an interest in the gas or oil in Subject Drilling Unit underlying and comprised of Subject Lands of which 13.315718 percent remain unleased by or to the Operator.
- 17.6 The proposed depth of Well No. V-1831 is 4,370 feet.
- 17.7 The estimated production over the life of the proposed well is 349,999 mcf.
- 17.8 A well work permit for well V-1831 is currently pending before the Virginia Department of Mines, Minerals and Energy.
- 17.9 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in Paragraph 9 above.
- 17.10 The Subject Drilling Unit does not constitute an unreasonable or arbitrary exercise of Applicant's right to explore for or produce Gas.
- 17.11 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person in the Subject Drilling Unit the opportunity to recover or receive, without unnecessary expense, each person's just and fair share of the production of the gas and/or oil from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of gas and oil, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.
- 18. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s). Therefore, the requested relief and all terms and Conclusion: provisions set forth above be and hereby are granted and IT IS SO ORDERED.

Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this of the Virginia Gas and Oil Boa

12th day of Jebrua

DONE AND PERFORMED this 12 th day of

, 1993, by Order

of this Board.

Byron Thomas Fulmer

Principal Executive To The Staff

Virginia Gas and Oil Board

STATE OF VIRGINIA COUNTY OF WISE

Acknowledged on this day of Feliculary, 1993, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

> Susan G. Garrett Notary Public

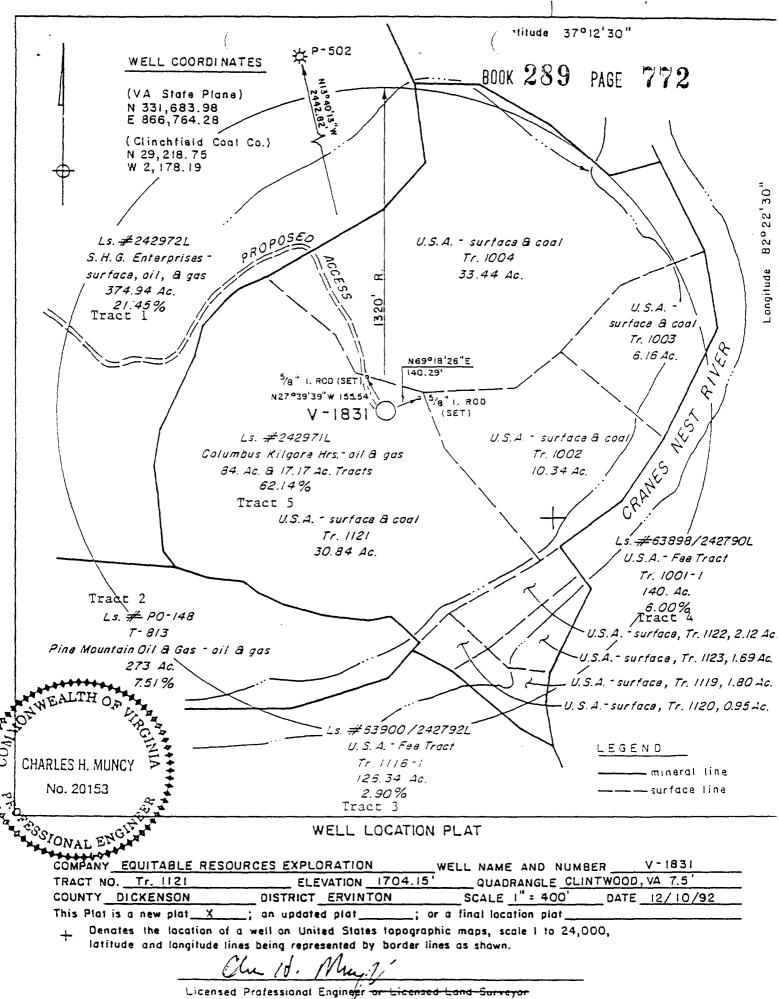
My commission expires 7/31/94

STATE OF VIRGINIA COUNTY OF WISE

Acknowledged on this 12th day of Leturar before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

> Susan G. Garrett Notary Public

My commission expires 7/31/94



Form DG0-G0-7

V-1831 VGOB-93/01/19-0315 BOOK 289 PAGE 773

TRACT	LESSOR	LEASE STATUS	INTEREST WITHIN UNIT	
1	S.H.G. Enterprises P.O. Box 197 Norton, VA 24273 ATTN: James M. Gott, General	Leased-EREX 242972 Partner	21.45%	26.954070
2	Pine Mountain Oil and Gas Attn: Richard Brillhart P.O. Box 7 Dante, VA 24237		7.51	9.437066
3		Leased-EREX 242792 U.S.A. Tr. 1116-1	2.90	3.644140
4	U.S.A. United States Department of Interior Jackson District Office 411 Briarwood Dr., Suite 404 Jackson, MS 39206 ATTN: U.J. Parikh	Leased-EREX 242790 U.S.A. Tr. 1001-1	6.00	7.539600
5	Columbus C. Kilgore Heirs			
	Asa M. and Edith Kilgore 3051 Rio Dosa Drive Lexington, KY 40509	Leased-EREX 242971L05	13.315726	16.732541
	Roberta D. Kilgore 3100 Jane, N.E. Apt. 0105 Albuquerque, NM 87111	Leased-EREX 242971L04	8.877127	11.154998
	Heirs of Paul H. Kilgore Ruth Kilgore, Agent 2745 Kennett Drive Liburn, GA 30247	Leased-EREX Dower 242971L02	8.877127	11.154998
	Linda Sue and Steven Manion 2745 Kennett Drive Liburn, GA 30247	Leased-EREX Remainder 242971L02		

EXHIBIT "B"

V-1831

	VGOB-93/01/1	19-0315 BOOK	289 PAGE 774 INTEREST GROSS
TRACT	LESSOR	LEASE STATUS	WITHIN ACREAGE UNIT IN UNIT
	Alice D. Kilgore 1311 E. Clay Street Thomasville, GA 31792	Leased-EREX 242971L01	2.959038 3.718327
	Frances A. and Neil Wentworth 1311 E. Clay Street Thomasville, GA 31792	Leased-EREX 242971L01	5.918082 7.436662
	Craig Rodger Clark 2685D N. Point Lane Tallahassee, FL 32308	Leased-EREX 242971L03	4.438591 5.577534
	Virginia Louise and Robert H. Graska 1015 Claremont Ave. Ashland, OH 44805	Leased-EREX 242971L06	4.438591 5.577533
$\mathcal{O}_{\mathcal{N}}$	Stephen H. Brinkley Address Unknown	Unleased	4.438591 5.577533
No.	Unknown Heirs of Frank Allen Kilgore	Unleased	8.877127 11.154998
	TOTAL		100.00% 125.66
	Percentage of Unit Leased Percentage of Unit Unleased	108.927 Ac. 16.733 Ac.	86.684282% 13.315718%

	T OF DICKENSON COUNTY, Mar. 5, 1993. This deed was this day thereto annexed, admitted to record at 3:09 o'clock PM, after payment of
Original returned this date to: Diane Davis	TESTE: JOE TATE CLERK BY: D. CLERK